

~~CONFIDENTIAL~~
Security Information

A 17452

Country : India/Pakistan

Subject : Political and Economic Crises/Criticism of TCA

Place

Acquired :

Date

Acquired :

25X1X6

25X1A9a

25X1A9a

Date of

Information: 8 Apr 53

25X1X6

25X1A9a

1. "I thought you might be interested 25X1X6 on the general picture here in India and Pakistan, with a few specific comments on our foreign aid as it is applied here.
2. 25X1X6 Pakistan was having a synthetic 'boom' and India was not doing so well relatively. When Great Britain and most of the other sterling area nations devalued their currency several years ago, Pakistan refused to follow suit. This left a situation where it took three Indian rupees to buy two Pakistan rupees. To this, the Indians took considerable exception, and strained economic trade relations were added to the political and religious strife between the countries.
3. "Then came the Korean war and the stockpiling that followed. Pakistan, with her high priced rupee and a producer of raw materials most of which she did not consume herself--mainly jute and cotton--was riding the crest.
4. "Now it happened that at Partition, most of the jute mills wound up in India and practically all of the jute production was in East Pakistan. Logically, India and Pakistan should trade on this item but with the disparity in rupees, India refused to play and began planting jute. So a year ago when the Korean stockpiling came to an end, Pakistan was left with a surplus of cotton (a rather poor grade is grown which is hard to move normally in world markets) and with a vastly curtailed outlet for jute.
5. "Added to this was several dry years which cut the wheat crop in Pakistan from a surplus to a deficiency. Also, there is considerable evidence that this year [1953] much Pakistan Punjab wheat has gone across the border illegally into Indian Punjab. This is the

RETURN TO CIA
LIBRARY

~~CONFIDENTIAL~~
Security Information

This unevaluated information for US Officials
Only is supplied for the possible interest of
does not warrant dissemination by report. 25X1A2g

- 2 -

historical trade trend and the tendency is strong that it continue even in the face of political barriers. This practice is said to be condoned in high places and has, of course, accentuated the wheat shortage which is producing near-famine conditions in Pakistan Punjab.

6. "As you know, the founder of Pakistan, Ali Jinnah, only lived a few years after partition. His next in line, Liaquat Ali Kahn, then became Prime Minister and did a commendable job until his assassination last year. Now Pakistan has no steady hand on the tiller. Corruption is rampant, the country is in the throes of a serious economic and political crises and the immediate outlook is not good.
7. "A very ambitious scoundrel named Mian Daulatana took over several years ago as the Chief Minister of the Punjab, the most powerful state in Pakistan. He kept the pot boiling in the Punjab and by cleverly agitating the volatile Muslin mullahs (priests) against a splinter Muslin minority known as the Ahmadiyas who contend that someone other than Mohammad was the last Prophet, he stirred up a real riot about a month ago [about March 1953]. Daulatana hoped to unseat the present Prime Minister, Khwaja Nazimuddin, and took steps to bring this about during the height of the rioting. In the nick of time, the governor of the Punjab called martial law--supported by the Central Government--and the well disciplined Pak army put down the riot, but not until they had killed about 3,400 of their brothers in Lahore and another 2,000 in one of the nearby cities.
8. "The Prime Minister hurried to Lahore with his top military people and forced Daulatana's resignation. They put in as Chief Minister a Feroze Kahn Noon, who is reported to be relatively honest and a good choice for the post.
9. "The basic unrest of the people over the corrupt government, both state and central, and the food shortage, are still there and the general consensus of the people who have lived in the Punjab for some time is that the situation might very well become worse before it gets better. From the little that I could see I would say that things in Lahore, the capital city of the Punjab, are pretty grim.
10. "Into this moves a brand new TCA group who are located in the central capital city of Karachi, down on the seacoast and in an almost different world from the troubles in the Punjab. TCA is beginning to sign agreements and spend aid money and it is hoped that it will have some effect in time. It is likely though that Pakistan's troubles will come to a head this summer or fall [1953] and the die is pretty well cast already for that period.

This unevaluated information for US Officials
Only is supplied for the possible interest of
your analysts. It does not warrant dissemination.
Report.

~~CONFIDENTIAL~~
Security Information

- 3 -

11. "So much for Pakistan. Here in India things are relatively better than they were two years ago [1951] as one notices them in New Delhi although countrywide there is not too much change. The item of most interest to me is our [US] aid program which is administered under TCA. They have been here a little over a year and for the fiscal year ending this coming June [1953], TCA has managed to commit about US\$88,000,000.
12. "One thing sticks out like the proverbial erroneous thumb, and that is that the US taxpayer is not getting a run for his money here and the Indians are not getting the technical assistance they should for that money. Chester Bowles, the former [US] ambassador here [in India], set the policy that we [the US] should give the Indians the equipment, supply a few 'experts' and 'let the Indians do the work themselves.' Bowles dominated the local TCA group and also sold someone in Washington on the idea so that India is the only country in the TCA program where TCA does not retain a reasonable control over the method for dispensing these funds.
13. "Now to most people not familiar with what is required to successfully pull off large undertakings like dams and irrigation works, Bowles's theory sounds plausible. But in practice it does not work for the simple reason that management, the most important item of US knowhow that we have, is missing.
14. "This is painfully evident in a large dam which the Indians are building known as Kirakud over on the East Coast. We have, or will have, poured in 5 or 6 million dollars' worth of heavy construction equipment and have supplied one or two experts. The result is what any experienced person would expect. The Indians are thrashing around with the equipment; there is no organization or management; and the whole project is a farce by any acceptable standard.
15. "There are other examples of a similar nature. TCA now admits that management is lacking but still takes the position that we can only plead with the Indians and cannot force our methods on them. If they will not accept the assistance in the way we think it should properly be used, then we should give it to them anyway.
16. "The tragic fallacy here is that the Indians are completely inexperienced in carrying out these tremendous schemes and not even qualified to judge what is the proper approach. When the British were here, they were the managers. Now that they have left, the Indians should be trained to manage and properly organize these types of projects. It certainly does not call for forcing anything on the Indians but it does call for a selling job on TCA's part plus firm insistence that to protect the US taxpayer, TCA must see that the dollars are spent to the best advantage.

This unvaluated information for US Officials
Only is supplied for the possible interest of
your agency in the possible interest of
warrant dissemination by [] report.

~~CONFIDENTIAL~~
Security Information

25X1A2g

- 4 -

17. "The Indian is a rather different fellow in many ways. He is primarily a merchant, or, when educated, a lawyer. In other words, he likes to dicker and argue. He is not usually a good farmer or a good mechanic. He is not overly ambitious when it comes to physical effort. One of our irrigation experts told me how last year [1952] during the wheat shortage (when the US shipped in wheat), he went down through Bihar where conditions were pretty bad. He said it was amazing to see people lying around starving on the most fertile soil you could want, and water only 15 feet under the surface. If people like the Japanese had this country, it would be one of the most flourishing agricultural countries in the world with plenty of food for everybody and an excess to export.
18. "Whether we can make enough of a dent in this picture and still keep our spending here within reasonable limits is debatable. Senator Taft says that we cannot effect enough change to be significant and he might be right. However, the possibilities are intriguing. But if we cannot get US management into this aid program, I am convinced we should pull out entirely.
19. "It is only fair reporting to say that there is almost no expression of appreciation for our aid, either in the press or in conversation with individuals here. There is a continual yammering in the press about the US's trying to dominate India with dollars. I can assure the Indians that the way TCA is administering this program they are not even masters over their own convictions, let alone dominating the Indians.
20. "As far as India ever going Communist, all the Indian people I talk with assure me that it will never happen. They say that the Indian (Hindu) religion and the Indian culture preclude such a thing even under dire conditions such as famine.
21. "In short, these people need help but I am certainly not convinced that the way we are going about it is right. Brother love is evident and it is the basic Christian desire to help one's less fortunate fellow that brings most of us out here. The other two legs of the tripod--wisdom and economy--are completely inadequate and the whole structure is weak; one strong leg is not enough.
22. "These are just some offhand thoughts that come to mind. It will be interesting to see how it all comes out."

- end -